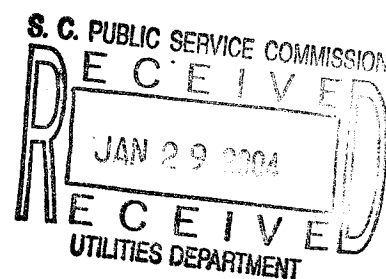


REPORT OF THE COMMISSION STAFF
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA



DOCKET NO. 2003-276-W/S
SHERWOOD UTILITIES COMPANY

REPORT OF THE AUDIT DEPARTMENT

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2003-276-W/S

SHERWOOD UTILITIES COMPANY

REPORT OF THE AUDIT DEPARTMENT
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2003-276-W/S
SHERWOOD UTILITIES COMPANY

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REPORT OF THE AUDIT DEPARTMENT
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2003-276-W/S
SHERWOOD UTILITIES COMPANY

SYNOPSIS

Amount Requested-----	\$50,009
-----------------------	----------

Operating Margin - Combined

Per Books-----	(74.42) %
After Accounting and Pro Forma Adjustments-----	(75.99) %
After Proposed Increase-----	18.28 %

Operating Margin – Water

Per Books-----	(74.41) %
After Accounting and Pro Forma Adjustments-----	(75.99) %
After Proposed Increase-----	18.33 %

Operating Margin – Sewer

Per Books-----	(74.42) %
After Accounting and Pro Forma Adjustments-----	(75.98) %
After Proposed Increase-----	18.25 %

REPORT OF THE AUDIT DEPARTMENT
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2003-276-W/S
SHERWOOD UTILITIES COMPANY

ANALYSIS

The Audit Department Staff has made a review of the application of Sherwood Utilities Company (hereinafter referred to as the Company) along with certain of its accounting records, relative to the Company's application to increase certain of its rates and charges under Docket No. 2003-276-W/S.

The Company provides water service to two Mobile Home Parks and an apartment building in the State of South Carolina. The Company purchases water from Charleston Public Works and sewer service from the North Charleston Sewer District. The Company then furnishes water and sewer service to the residents of the two mobile home parks as well as an apartment building located in Charleston County. Each lot at the two mobile home parks has its own individual meter. The Company bills its customers for water and sewer service based on individual meter calculations of customer use. The individual meters were provided and are maintained by the Company. The Company's home office is located in Charleston, South Carolina, and its general address is given as 2215 Hayne Street, Charleston, South Carolina 29406.

The following is a summary of the Company's most recent rate requests before this Commission:

Date of Order	Effective Date	Docket Number	Amount Requested	Amount Granted	Operating Margin
09/14/92	09/14/92	92-296-W/S	(Establishment Case)		

In its present application, the Company requested additional revenues of \$50,009. Staff calculated the requested revenues to be \$49,621.

The operating margin, after accounting and pro forma adjustments, was computed by the Staff to be negative (75.99) %. This operating margin increases to 18.28% after the proposed increase of \$49,621.

The Staff's exhibits relative to the Company's application are as follows:

**EXHIBIT A: OPERATING EXPERIENCE AND OPERATING MARGIN –
COMBINED OPERATIONS**

Detailed in this Staff exhibit are the Company's Operating Experience and Operating Margin for the test year ended December 31, 2002, the accounting and pro forma adjustments which are necessary to correct or normalize the Company's test year operations and the Company's normalized operations, both before and after the effect of the requested increase.

Utilizing a per book loss of \$(28,373), the Staff computed an operating margin of negative (74.42) %. Pro forma adjustments decreased income resulting in an operating loss of \$(29,266), as adjusted. The operating margin computed by the Staff after accounting and pro forma adjustments was negative (75.99) %. After the Staff adjusted

operating loss for the proposed increase of \$45,378, net of taxes and other expenses, operating income increased to \$16,112. The operating margin computed by the Staff after the adjustments for the proposed increase is 18.28%.

**EXHIBIT A-W: OPERATING EXPERIENCE AND OPERATING MARGIN –
WATER OPERATIONS**

Detailed in this Staff exhibit are the Company's Operating Experience and Operating Margin for Water Operations for the test year ended December 31, 2002.

**EXHIBIT A-S: OPERATING EXPERIENCE AND OPERATING MARGIN –
SEWER OPERATIONS**

Detailed in this Staff exhibit are the Company's Operating Experience and Operating Margin for Sewer Operations for the test year ended December 31, 2002.

**EXHIBIT A-1: EXPLANATION OF ACCOUNTING AND PRO FORMA
ADJUSTMENTS**

Detailed in this Staff exhibit are the accounting and pro forma adjustments and each adjustment made necessary as a result of the proposed increase.

EXHIBIT A-2: CUSTOMER GROWTH COMPUTATION

The Staff's computation of the Company's customer growth factor is shown in this exhibit. The Staff computed a growth factor of -0- % for the test year.

EXHIBIT A-3: RECONCILIATION OF TOTAL INCOME FOR RETURN

This Staff exhibit details the differences between the Company's filing and the Staff's presentation of financial data leading to total income for return.

EXHIBIT A-4: INCOME STATEMENT

Staff, in this exhibit, has presented the Income Statement of the Company for the test year ended December 31, 2002.

EXHIBIT A-5: OWNER'S BALANCE SHEET

The Staff presents in this exhibit the Balance Sheet of the owner of the Company as of June 30, 2003.

Sherwood Utilities Company
Operating Experience and Operating Margin - Combined
Test Year Ended December 31, 2002

Combined Operations Description	(1) Per Books \$	(2) Acctg. & Pro Forma Adjust. \$	Adj. No.	(3) As Adjusted \$	(4) Effect of Proposed Increase \$	(5) After Adj. Proposed Increase \$
<u>Operating Revenues</u>						
Water	15,251	155	(1)	15,406	19,879	(5) 35,285
Sewer	22,876	233	(1)	23,109	29,742	(5) 52,851
<u>Total Operating Revenues</u>	<u>38,127</u>	<u>388</u>		<u>38,515</u>	<u>49,621</u>	<u>88,136</u>
<u>Operating Expenses</u>						
Water Cost	23,142	0		23,142	0	23,142
Sewer Cost	34,712	0		34,712	0	34,712
Depreciation Expense	513	0		513	0	513
Repair and Maintenance	417	0		417	0	417
Office Supplies	1,101			1,101		1,101
Property Taxes and Fees	217	0		217	402	(6) 619
Wages- Meter Reading/Repairs	2,501	500	(2)	3,001		3,001
General & Admin.- Billing/Collection	3,334	667	(3)	4,001		4,001
Payroll Taxes	563	114	(4)	677	0	677
Income Taxes - State and Federal	0	0		0	3,841	(7) 3,841
<u>Total Operating Expenses</u>	<u>66,500</u>	<u>1,281</u>		<u>67,781</u>	<u>4,243</u>	<u>72,024</u>
Net Operating Income (Loss)	(28,373)	(893)		(29,266)	45,378	16,112
Customer Growth (Exhibit A-2)	0	0		0	0	0
<u>Net Income (Loss) For Return</u>	<u>(28,373)</u>	<u>(893)</u>		<u>(29,266)</u>	<u>45,378</u>	<u>16,112</u>
 <u>Operating Margin</u>	 <u>(74.42)%</u>			 <u>(75.99)%</u>		 <u>18.28%</u>

Sherwood Utilities Company
Operating Experience and Operating Margin - Water
Test Year Ended December 31, 2002

Water Operations Description	(1) Per Books \$	(2) Acctg. & Pro Forma Adjust. \$	Adj. No.	(3) As Adjusted \$	(4) Effect of Proposed Increase \$	Adj. No.	(5) After Proposed Increase \$
<u>Operating Revenues</u>							
Water	15,251	155	(1)	15,406	19,879	(5)	35,285
<u>Total Operating Revenues</u>	<u>15,251</u>	<u>155</u>		<u>15,406</u>	<u>19,879</u>		<u>35,285</u>
<u>Operating Expenses</u>							
Water Cost	23,142	0		23,142	0		23,142
Depreciation Expense	205	0		205	0		205
Repair and Maintenance	167	0		167	0		167
Office Supplies	440	0		440	0		440
Property Taxes and Fees	87	0		87	161	(6)	248
Wages-Meter Reading & Repairs	1,000	200	(2)	1,200			1,200
General & Admin.-Billing & Collection	1,334	267	(3)	1,601			1,601
Payroll Taxes	225	46	(4)	271	0		271
Income Taxes - State and Federal	0	0		0	1,542	(7)	1,542
<u>Total Operating Expenses</u>	<u>26,600</u>	<u>513</u>		<u>27,113</u>	<u>1,703</u>		<u>28,816</u>
Net Operating Income (Loss)	(11,349)	(358)		(11,707)	18,176		6,469
Customer Growth (See Exhibit A-2)	0	0		0	0		0
<u>Net Income (Loss)For Return</u>	<u>(11,349)</u>	<u>(358)</u>		<u>(11,707)</u>	<u>18,176</u>		<u>6,469</u>
 <u>Operating Margin</u>	 <u>(74.41)%</u>			 <u>(75.99)%</u>			 <u>18.33%</u>

Sherwood Utilities Company
Operating Experience and Operating Margin - Sewer
Test Year Ended December 31, 2002

Sewer Operations Description	(1) Per Books \$	(2) Acctg. & Pro Forma Adjust. \$		(3) Adj. No. As Adjusted \$	(4) Effect of Proposed Increase \$	(5) After Adj. Proposed No. Increase \$
<u>Operating Revenues</u>						
Sewer Revenues	22,876	233	(1)	23,109	29,742	(5) 52,851
<u>Total Operating Revenues</u>	<u>22,876</u>	<u>233</u>		<u>23,109</u>	<u>29,742</u>	<u>52,851</u>
<u>Operating Expenses</u>						
Sewer Cost	34,712	0		34,712	0	34,712
Depreciation Expense	308	0		308	0	308
Repair and Maintenance	250	0		250	0	250
Office Supplies	661	0		661	0	661
Property Taxes and Fees	130	0		130	241	(6) 371
Wages- Meter Reading and Repairs	1,501	300	(2)	1,801	0	1,801
General & Admin.-Billing & Collection	2,000	400	(3)	2,400	0	2,400
Payroll Taxes	338	68	(4)	406	0	406
Income Taxes - State and Federal	0	0		0	2,299	(7) 2,299
<u>Total Operating Expenses</u>	<u>39,900</u>	<u>768</u>		<u>40,668</u>	<u>2,540</u>	<u>43,208</u>
Net Operating Income (Loss)	(17,024)	(535)		(17,559)	27,202	9,643
Customer Growth (See Exhibit A-2)	0	0		0	0	0
<u>Net Income (Loss) For Return</u>	<u>(17,024)</u>	<u>(535)</u>		<u>(17,559)</u>	<u>27,202</u>	<u>9,643</u>
 <u>Operating Margin</u>	 <u>(74.42)%</u>			 <u>(75.98)%</u>		 <u>18.25%</u>

Sherwood Utilities Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 2002

Revenue and Expense Description	(1) Water/Sewer Revenues	(2) Meter Reading Expense	(3) Billing & Collection Expense	(4) Payroll Taxes
(1) The Staff proposes to annualize revenues using actual billing units and consumption during the test year. (U)				
Per Staff-Combined	388	0	0	0
Per Staff-Water	155	0	0	0
Per Staff-Sewer	233	0	0	0
Per Company-Combined	0	0	0	0
Per Company-Water	0	0	0	0
Per Company-Sewer	0	0	0	0
(2) The Staff proposes to annualize meter reading and repair expenses, based on 16 hours per month @ \$15.63 per hour times 12 months. The Company had included such wages for ten months. This calculation results in a total adjustment for water and sewer expenses in the amount of \$500. (A)				
Per Staff-Combined		500	0	49
Per Staff-Water		200	0	20
Per Staff-Sewer		300	0	29
Per Company-Combined		0	0	0
Per Company-Water		0	0	0
Per Company-Sewer		0	0	0
(3) The Staff proposes to annualize billing, recording and collection expenses, based on 20 hours per month at \$16.67 per hour times 12 months. The Company had allocated such wages for ten months. This calculation results in a total adjustment for water and sewer expenses in the amount of \$667. (A)				
Per Staff-Combined		0	667	65
Per Staff-Water		0	267	26
Per Staff-Sewer		0	400	39
Per Company-Combined		0	0	0
Per Company-Water		0	0	0
Per Company-Sewer		0	0	0
Total Accounting and Pro Forma Adjustments				
Per Staff - Combined	388	500	667	114
Per Staff - Water	155	200	267	46
Per Staff - Sewer	233	300	400	68
Per Company - Combined	0	0	0	0
Per Company - Water	0	0	0	0
Per Company - Sewer	0	0	0	0

(A) Audit Department has primary responsibility for adjustment.
(U) Utilities Department has primary responsibility for adjustment.

Sherwood Utilities Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 2002

Proposed Increase Description	(5) Water/Sewer Revenues \$	(6) Taxes Other Than Income \$	(7) Income Taxes \$
(4) The Staff and the Company propose to adjust operating revenues for the requested increase in water and sewer rates. The Company is requesting to increase the basic charge for water to \$8.00 per month with an additional water charge of \$3.78 per thousand gallons. Also, the Company is requesting a rate of \$5.66 per thousand gallons for sewer. The Company has based their increase on 7,750,000 gallons per year with a customer level of 156. The Staff calculated an increase to water revenues in the amount of \$19,879 and an increase to sewer revenues in the amount of \$29,742, resulting in an increase to total revenues in the amount of \$49,621. The Company has proposed an increase to water revenues in the amount of \$20,034 and an increase to sewer revenues in the amount of \$29,975, resulting in a total increase to revenues in the amount of \$50,009. (U)	49,621 19,879 29,742	0 0 0	0 0 0
Per Company - Combined		0	0
Per Staff - Water		0	0
Per Staff - Sewer		0	0
Per Company - Combined	50,009	0	0
Per Company - Water	20,034	0	0
Per Company - Sewer	29,975	0	0

Sherwood Utilities Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 2002

Proposed Increase Description	(5) Water/Sewer Revenues \$	(6) Taxes Other Than Income \$	(7) Income Taxes \$
(5) The Staff proposes to include the effect of the proposed increase on gross receipts taxes. The current gross receipts tax rate was used by Staff to calculate this expense adjustment. The Company did not propose an adjustment for these taxes. (A)			
Per Staff - Combined	0	402	0
Per Staff - Water	0	161	0
Per Staff - Sewer	0	241	0
Per Company - Combined	0	0	0
Per Company - Water	0	0	0
Per Company - Sewer	0	0	0
(6) Staff also proposes to book the income tax effect resulting from the requested increase in water and sewer rates. Staff used a 5% rate for the State income tax and a 15% tax rate for the Federal income tax. The overall effect of this tax factor is a 19.25% tax rate. (A)			
Per Staff - Combined	0	0	3,841
Per Staff - Water	0	0	1,542
Per Staff - Sewer	0	0	2,299
Per Company - Combined	0	0	0
Per Company - Water	0	0	0
Per Company - Sewer	0	0	0
Total Accounting and Pro Forma Adjustments - Proposed Increase -			
Per Staff - Combined	49,621	402	3,841
Per Staff - Water	19,879	161	1,542
Per Staff - Sewer	29,742	241	2,299
Per Company - Combined	50,009	0	0
Per Company - Water	20,034	0	0
Per Company - Sewer	29,975	0	0

Sherwood Utilities Company
Computation of Customer Growth
Test Year Ended December 31, 2002

	(1)	(2)	(3)
	Per	As	After
	Books	Adjusted	Proposed
	\$	\$	Increase
			\$
<u>COMBINED OPERATIONS</u>			
Net Operating Income (Loss)	(28,373)	(29,266)	16,112
Growth Factor	0.00%	0.00%	0.00%
<u>Customer Growth</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>WATER OPERATIONS</u>			
Net Operating Income (Loss)	(11,349)	(11,707)	6,469
Growth Factor	0.00%	0.00%	0.00%
<u>Customer Growth</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>SEWER OPERATIONS</u>			
Net Operating Income (Loss)	(17,024)	(17,559)	9,643
Growth Factor	0.00%	0.00%	0.00%
<u>Customer Growth</u>	<u>0</u>	<u>0</u>	<u>0</u>

Computation of Growth Factor Formula:
$$\frac{\text{Year End Customers} - \text{Average Customers}}{\text{Average Customers}}$$

Water Operations

	Customers	
	Water	
156 - 156	12/31/2001	156
<u>156</u>	12/31/2002	156

Water Operations had zero growth.

Sewer Operations

	Sewer	
156 - 156	12/31/2001	156
<u>156</u>	12/31/2002	156

Sewer Operations had zero growth.

**Sherwood Utilities Company
Reconciliation of Income Statement
Test Year Ended December 31, 2002**

	(1)	(2)	(3)
	Per	As	After
	Books	Adjusted	Proposed
	\$	\$	Increase
			\$
Net Income Per Company Filing - Income and Expense Statement	(28,372)	(28,372)	21,637
<u>Reconciling Items</u>			
Rounding in Application	(1)	(1)	(1)
Staff's Meter Reading Adjustment		(500)	(500)
Staff's Billing & Collection Adjustment		(667)	(667)
Staff's Payroll Taxes		(114)	(114)
Staff's Gross Receipts Taxes on Increase			(402)
Staff's Income Taxes			(3,841)
Staff's Revenue Adjustment		388	388
Staff's Proposed Increase			49,621
Company's Proposed Increase			(50,009)

Net Income Per Staff
Audit Exhibit A

(28,373)	(29,266)	16,112
-----------------	-----------------	---------------

Sherwood Utilities Company
Income Statement
Test Year Ended December 31, 2002

<u>OPERATING REVENUE</u>	\$
Water	15,251
Sewer	22,876
<u>Total Operating Revenue</u>	<u>38,127</u>
 <u>OPERATING EXPENSES</u>	
Water Cost	23,142
Sewer Cost	34,712
Repair and Maintenance	416
Office Supplies	1,101
Property Taxes, Fees	217
Payroll-Meter Reading and Repairs	2,501
Payroll - Billing, Recording, and Collection	3,334
Payroll Taxes	563
Depreciation	514
 <u>Total Operating Expenses</u>	 <u>66,500</u>
 Net Income (Loss)	 <u>(28,373)</u>

**Sherwood Utilities Company
Owner's Balance Sheet
As Of June 30, 2003**

CURRENT ASSETS

Cash in Bank	42,777	
Brokerage Account	202,187	
IRA Account	33,353	
Bonds Account - Edward Jones	310,000	
Total Current Assets		588,317

OTHER ASSETS

Automobiles	40,000	
Furniture and Fixtures	40,000	
Jewelry	20,000	
Art Works and Collectibles	30,000	
Sporting Equipment	28,000	
Total Other Assets		158,000

FIXED ASSETS

Sherwood Mobile Home Park	700,000	
Home- Pinopolis	250,000	
Home - Fayetteville	125,000	
Memminger Hall Apartments	500,000	
Sherwood Enterprises, Inc.	100,000	
Investment Property:		
Lake Lots	150,000	
Young's Island	5,000	
Total Fixed Assets		1,830,000
Total Assets		2,576,317

LIABILITIES AND EQUITY**LONG-TERM LIABILITIES**

Home Mortgage	7,523	
Equity Line	5,994	
Total Liabilities		13,517
Equity		2,562,800
Total Liabilities and Equity		2,576,317

**REPORT OF THE
UTILITIES DEPARTMENT
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

SHERWOOD UTILITIES COMPANY

IN

CHARLESTON COUNTY, SC

DOCKET NO. 2003-276-W/S

UTILITIES DEPARTMENT REPORT

SHERWOOD UTILITIES COMPANY

DOCKET NO. 2003-276-W/S

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UTILITIES DEPARTMENT EXHIBIT NO. 1

Sherwood Utilities Company is operating under rates set by Public Service Commission Order No. 92-800 issued on September 14, 1992 in Docket No. 92-296-W/S. The Company has 156 water and sewer customers.

PRESENT AND PROPOSED RATES AND CHARGES

PRESENT RATES

Minimum monthly charge – includes up to 1,000 gallons of water and sewer service \$ 5.00

In excess of 1,000 gallons the following rates apply:

Water Rate per 1,000 gallons	\$ 1.984
Sewer Rate per 1,000 gallons	\$ 2.976
Reconnect Fee	\$10.00

PROPOSED RATES

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Basic Charge	\$3.20	\$4.80	\$8.00
Commodity Charge per 1,000	\$3.78	\$5.66	\$9.44
Reconnect Fee			\$25.00
Deposit			\$35.00

UTILITIES DEPARTMENT EXHIBIT NO. 2

Utilities Department Exhibit No. 2 shows the effect of the present and proposed rates and charges on operating revenue. The proposed increase would produce \$49,621 in additional revenue for an overall increase of 128.84%.

EFFECT OF PRESENT AND PROPOSED RATES AND CHARGES ON OPERATING REVENUE

source of revenue	per books \$	test year adjustment \$	test year after adjustment \$	proposed increase \$	after increase \$	percent increase %
Water Service	15,251	155 (1)	15,406	19,879	35,285	129.03
Sewer Service	22,876	233 (2)	23,109	29,742	52,851	128.70
Total revenue	38,127	388	38,515	49,621	88,136	128.84

(1) To annualize water revenues.

(2) To annualize sewer revenues.

UTILITIES DEPARTMENT EXHIBIT NO. 3

Utilities Department Exhibit No. 3 shows the effect of the proposed rates and charges on the customer's monthly bill using a system average of 4,000 gallons per month.

EFFECT OF PROPOSED INCREASE ON MONTHLY BILL

Type Of Service	Average Consumption gallons	Present Bill \$	Proposed Bill \$	Amount of Increase \$	Percent Increase %
Water	4,000	7.95	18.32	10.37	130.44
Sewer	4,000	11.93	27.44	15.51	130.01
Total	4,000	19.88	45.76	25.88	130.18

$$\text{Present bill} = \$5.00 + (3 \times \$4.96) = \$5.00 + \$14.88 = \$19.88$$

$$\text{Proposed bill} = \$8.00 + (4 \times \$9.44) = \$8.00 + \$37.76 = \$45.76$$

UTILITIES DEPARTMENT EXHIBIT NO. 4

UTILITIES DEPARTMENT REVIEW OF SERVICE PROVIDED BY THE COMPANY

On December 18, 2003 personnel from the Public Service Commission of South Carolina audited the Company's books and operations in preparation for the rate case. The Company has 156 water and sewer customers, in Charleston County, South Carolina. The Consumers Services Department has not received any complaints regarding the Company.

Since the Notice of Filing was mailed to the Company's customers, Staff has received 1 Petition to intervene by the Consumer Advocate.

The Company provides adequate service to its customers.

The following 2 pages are a summary of the Business Office Compliance Review Report.

BUSINESS OFFICE COMPLIANCE REVIEW REPORT

UTILITY: Sherwood utilities, Inc. INSPECTOR: W. Richardson

OFFICE: 2215 Hayne Street, Charleston, SC 29406 DATE: December 18, 2003

COMPANY REPRESENTATIVE: Mr. Robert W. Ashby

IN COMPLIANCE

YES OR NO*

- yes 1. Are all records and reports available for examination in accordance with R.103-710 and R.103-510?
- yes 2. Are complaint records maintained in accordance with R.103-716 and R.103-516?
- yes 3. Are the utility's rates, its rules and regulations and its up-to-date maps and plans available for public inspection in accordance with R.103-730 and R.103-530?
- yes 4. Are procedures established to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-730 and R.103-530?
- n/a 5. Are deposits charged within the limits established by R.103-731 and R.103-531?
- yes 6. Are timely and accurate bills being rendered to customers in accordance with R.103-733 and R.103-532?
- yes 7. Are bill forms in accordance with R.103-732 and R.103-532?
- yes 8. Are adjustments of bills handled in accordance with R.103-733 and R.103-533?
- yes 9. Is the policy for customer denial or discontinuance of service in accordance with R.103-735 and R.103-535?
- yes 10. Are notices sent to customers prior to termination in accordance with R.103-735 and R.103-535?
- yes 11. Are notices filed with the Commission of any violation of PSC or DHEC rules which effect service provided to its customers in accordance with R.103-714-C and R.103-514-C?

Business Office Compliance Review Report (page 2)

- yes 12. Does the utility have adequate means (Telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in cases of emergency or unscheduled interruptions or service in accordance with R.103-730 and R.103-530?
- yes 13. Are records kept of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-714 and R.103-514?
- yes 14. Has the utility advised the Commission, in accordance with R.103-712 and R.103-512 of the name, title, address and telephone number of the person who should be contacted in connection with:
- (a) General management duties?
 - (b) Customer relations (complaints)?
 - (c) Engineering operations?
 - (d) Meter tests and repairs?
 - (e) Emergencies during non-office hours?
- yes 15. Has the Company verified the maps on file with the Commission include all the service area of the Company?
- 156 16. Number of customers the Company has at present.
- yes 17. Does the Company have a current performance bond on file with the Commission? Amount of bond \$10,000

*A "NO" RESPONSE REQUIRES A NOTE IN THE COMMENT SECTION

COMMENTS: 5- the Company does not charge deposits.

UTILITIES DEPARTMENT EXHIBIT NO. 5

Staff's Analysis

The following two pages (pages 8 and 9) are submitted by the Company in order to support their claim to be considered a submeterer as described in Commission Docket No. 2001-485-W/S - Rule to Show Cause on Submeterers, Order No. 2003-214 - "ORDER DENYING AND DISMISSING RULES TO SHOW CAUSE AND VACATING ORDER."

The Company owns two Mobile Home Parks which are governed by the South Carolina Residential Landlord Tenant Act. The Company has requested that Sherwood Utility Company be released from the classification of a utility company and be reclassified as a submeterer. The request is based on the fact the Company does not take possession of the water and only re-meters it along with performing the billing function and those functions do not make it a "public utility" for purposes of regulations by the Commission. The Company is supplied water by the Charleston Commission of Public Works and sewer service by the North Charleston Sewer District. Each park has a master meter and the company in turn bills their mobile home tenants from individual meters that Sherwood has installed at each space. The Company does not process any water or sewer.

Based on Staff's interpretation of Order No. 2003-214, a submeterer is entitled to recover the cost associated with purchased water and sewer service and this can easily be done through a pass-through. Specifically, page 10, paragraph 2 states "A preponderance of the evidence in this matter demonstrates that submeterers of water and wastewater services do not meet the statutory definition of a "public utility" and should not therefore be regulated by this Commission as jurisdictional utilities, in that such submeterers do not actually "furnish or supply" the commodity, but merely measure the amount of flow of water or wastewater and provide billing functions. See testimony of Staff witness Richardson, wherein he stated that other states do not regulate submeterers because they do not "take possession of the water."

It is Staff's belief that the Order does not address expenses other than the cost of the commodity. In order for the Company not to be a utility, any expenses other than the cost of the commodity (water and/or sewer service from the Charleston Commission of Public Works and North Charleston Sewer District) would have to be rolled into the expenses and profit expectations associated with establishing the rental charges of the mobile home spaces.

January 6, 2004

Mr. Bruce F. Duke
South Carolina Public Service Commission
P.O. Box 11649
Columbia, S. C. 29211

Re: Sherwood Utilities company
Request for Reclassification

Dear Mr. Duke:

I request that Sherwood Utility Company be released from the classification of a utility company and be reclassified as a submeterer. This request is based on your ruling on Docket No. 2001-485-W/S-Order No. 2003-214, dated April 15, 2003 wherein it is stated that if a company does not take possession of the water and only remeters it along with performing the billing function that those functions do not make it a "public utility" for purposes of regulations by the commission. Sherwood Utility Company is supplied water by the Charleston Public Works and sewer service by the North Charleston Sewer District. We have one master meter for each park from which we are billed. We inturn bill our mobile home tenants from individual meters that we have installed at each space. We do not process any water or sewer. I am enclosing a copy of your order No. 2003-214 "111, Findings, Conclusions, and order" to support our claim that we should be reclassified as a submeterer.

We have recently undergone an audit by your audit staff and their findings should confirm that we are a submeterer. In the event that the commission agrees and we are classified as a submeterer, then we would drop the application for our rate increase which is scheduled for a hearing in February 2004.

Very truly yours,

ROBERT W. ASHBY, Pres.

SHERWOOD ENTERPRISES, INC.

2215 Hayne Street
Charleston, SC 29406

553-1900

Sherwood Mobile Home Park

Memminger Hall Apartments

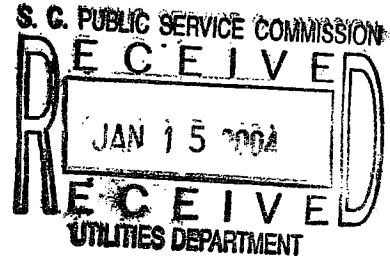
Mr. Bruce F. Duke

South Carolina Public Service Commission

P.O. Box 11649

Columbia, S. C. 29211

2003-276-WS



In Re: Sherwood Utilities Company

Request for Reclassification to a submeterer

Dear Mr. Duke:

In my letter dated January 6, 2004 in which I requested to be reclassified as a submeterer, I failed to include a rate that the company would be charging for sewer and water. These rates are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Basic Charge	\$3.20	\$4.80	\$ 8.00
Rate requested (per thousand)	\$3.78	\$5.66	\$ 9.44
Reconnect fee			\$ 25.00
Deposit			\$ 35.00

At the above rates we would cover all of our costs except any management fee and State and Federal Income taxes. Any excess over these costs we would apply against previous losses from 1993 to date in the amount of \$170,540.39 (Schedule attached).

Very truly yours,

Robert W. Ashby

UTILITIES DEPARTMENT
EXHIBIT NO. 6

Sherwood Utilities Company
Alternate Revenue Requirements
Test Year ended December 31, 2002

		Revenue Required After Increase \$	Proposed Increase (Decrease) Required \$	Monthly base charge required \$	Monthly commodity charge Required \$
Operating Margin @ 0.00%	water	27,273	11,687	\$ 3.20	2.75
	sewer	40,909	17,800	\$ 4.80	4.12
	total	68,182	29,487	\$ 8.00	6.87
Operating Margin @ 5.00%	water	29,072	13,666	\$ 3.20	2.98
	sewer	43,608	20,499	\$ 4.80	4.47
	total	72,680	34,165	\$ 8.00	7.45
Operating Margin @ 10.00%	water	31,126	15,720	\$ 3.20	3.24
	sewer	46,689	23,580	\$ 4.80	4.86
	total	77,815	39,300	\$ 8.00	8.11
Operating Margin @ 15.00%	water	33,496	18,090	\$ 3.20	3.55
	sewer	50,244	27,135	\$ 4.80	5.32
	total	83,740	45,225	\$ 8.00	8.87
Operating Margin @ 18.28%	water	35,285	19,879	\$ 3.20	3.78
	sewer	52,851	29,742	\$ 4.80	5.66
	total	88,136	49,621	\$ 8.00	9.44